

DD/A 74-5008

OGC Has Reviewed

20 December 1974

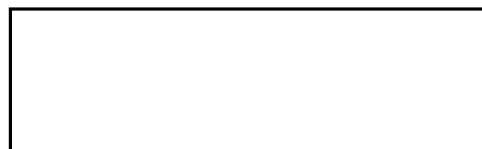
Accounting 3-3

MEMORANDUM FOR: Director of Communications

SUBJECT : Proposed Audit of the Office of Communications

1. Attached herewith is a complete package of background material relating to Program Audits. The basic policy guideline is reflected in the Director of Central Intelligence's memorandum of 4 November 1974 on the "Scope of Audits".

2. With respect to the Inspector General memorandum of 18 December 1974, the Associate Deputy Director for Administration has indicated that the Office of Communications should suggest the names of two recent retirees (or available staff employees) who might assist in the Program Audit in the Office of Communications. There is certainly no objection to your contacting the Audit Staff in order to obtain a clearer insight as to the appropriate background and experience that will be required, but the Associate Deputy Director for Administration definitely wants to retain final review authority on prospective candidates for this assignment, and no commitments should be made to the Audit Staff on specific individuals.



STA

Executive Officer
Deputy Director for Administration

Atts

- DD/A 74-4989 - Inspector General's memo of 18 Dec 74 to the DD/A and DD/S&T
Subj: Program Audits
- DD/A 74-4903 DD/A Memo to C/Audit Staff, dtd 13 Dec (thru IG) Subj: Proposed
Audit of OC
- DD/A 74-4346 DCI Memo to Chief/Audit Staff dtd 4 Nov 74 "Scope of Audits"
- DD/A 74-2113 C/Audit Staff memo to Mgmt Comm, dtd 6 Jun 74, Subj: Proposal
for Acceptance of "program" Audit in the CIA
- DD/M&S 74-2038 Memo to Mgmt Comm fr C/Audit Staff, dtd 30 May 1974 (thru IG)
Subj: Report to GSA on Agency Audit Policy
- Extracts from CIA Mgmt Comm. Mtgs. dtd 15 Jul 74; 17 Jun 74; & 30 Oct 74

MEMORANDUM FOR: Deputy Director for Science and Technology
✓ Deputy Director for Administration

SUBJECT : Program Audits

As you are aware, the Audit Staff has a firm plan for carrying out a program audit in the DDS&T on the ☐ program this coming spring, and has proposed to the DDA a program audit for the Office of Communications, during the same time period. This memo is to remind you that the Audit Staff will need the added services of one or more individuals in each of these areas, and in accordance with the discussion at the Management Committee meeting, it is your responsibility to suggest the names of a few recent retirees or available staff employees in these two areas who might provide such service.

Donald F. Chamberlain
Inspector General

DD/A 74-4903

13 DEC 1974

MEMORANDUM FOR: Chief, Audit Staff

THROUGH : Inspector General

SUBJECT : Proposed Audit of Office of Communications

1. We are in receipt of your memorandum of 26 November concerning the proposed audit of the Office of Communications.

2. In connection with the plan to conduct a survey to determine if there are any areas in the Office of Communications in which a program review would prove beneficial to Agency management, I should like to underscore the provisions of the Director's memorandum of 4 November on this issue which states that such areas will be selected in coordination with the Deputy Director concerned, that the program audits will be conducted with the cooperation of the appropriate programs staff of the Directorate supervising the unit audited, and, specifically: "... it is expected that the Audit Staff will augment its regular financially-oriented personnel with individuals selected for their specific knowledge and back-

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John F. Blake
Deputy Director
for
Administration

74/3874/1

4 November 1974

MEMORANDUM FOR: Chief, Audit Staff
THROUGH: Inspector General
SUBJECT: Scope of Audits

1. Thank you very much for your proposal of "program audits" in CIA, together with your Report of Audit of OJCS as a specific example. I fully understand that this proposal reflects the Federal Audit Policy issued by the General Services Administration in FMC 73-2 and the Comptroller General's Standards for Audit. I understand at the same time that certain line managers have expressed concern over this widening of the scope of traditional audits in CIA. The General Services Administration has adopted these audit standards set forth by the Comptroller General; at the same time the special characteristics of CIA will require certain exceptions to the established procedures, as outlined in General Walters' letter of 26 March to GSA Administrator Sampson. This memorandum outlines my concept of the way we in CIA should approach the audit process.

2. Traditionally the CIA Audit Staff limited itself to financial and compliance audits. The Inspector General conducted organization inspections on a periodic basis. As a result of some question in my mind as to the end value and effect of those organizational inspections, the Inspector General's staff was reduced last year in conformance with personnel reductions and this inspection routine was suspended. At the time I contemplated its replacement by a combination of the annual Program Review pursuant to Management by Objectives procedures and a broadening audit function consistent with the Comptroller General's new standards. I believe this to be an adequate resolution of the competing demands of independent staff examinations of the management of our subordinate units, stringent financial audits of our activities, and detailed examinations of programs and performance of all our units on an annual basis. We need, however, an articulation of the inter-relationship of these three activities.

3. The Program Call and Annual Reports provided the primary vehicles for the annual appraisal of the needs and performance of subordinate units pursuant to Management by Objective procedures. The first priority task of the Audit Staff is to ensure that vigorous and regular financial audits are made of our activities. As a second task, the Audit Staff will conduct supplementary, independent program

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audits of our operations pursuant to the audit standards established by the Comptroller General. ^{MS 74} Such audits will cover Agency-wide subject matter selected in coordination with the Comptroller, or directorate problems selected in coordination with the deputy director concerned. These program audits, additional to financial aspects, will be conducted with the cooperation of the Comptroller's office, the appropriate programs staffs of the directorates supervising the units audited, and in appropriate cases the Office of Personnel. In this fashion I believe the Audit Staff can also review program decision-making and performance through established mechanisms, focusing where possible on whether these mechanisms are functioning effectively. On these program audits, the Audit Staff will consult with the component under review, as has been customary in the past with its financial audits as well as with the Comptroller, prior to issuance of its report and findings. I expect the Audit Staff's independent judgment on the management aspects as well as the financial aspects of the audit, as required by the Comptroller General's audit standards. In carrying out program audits, it is expected that the Audit Staff will augment its regular financially-oriented personnel with individuals selected for their specific knowledge and background from a roster composed largely of CIA retirees.

4. The Inspector General will continue to inspect any situations in the Agency coming to his attention or suggested to him by others which in his view should be inspected and brought to my attention.

5. Following the submission of an audit by the Audit Staff to me, I will expect the Inspector General to ensure that a follow-up report of compliance or difference with the Audit Staff's conclusions will be made to me after an appropriate interval of time. Any substantial differences in view should be called to my attention for resolution with the deputy director concerned.

6. Any exemption from audit for reasons of sensitivity of intelligence sources and methods will be subject to my approval after justification by the deputy director concerned.


W. E. Colby
Director

cc: Deputy Director for Administration
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology
Comptroller
General Counsel
Legislative Counsel

DD/A Distribution:
1 - DD/A Subj (filed MCA-95/B)
(8) 1 - Ea DD/A Office Director

Administrative - Internal Use Only

Extract from minutes of CIA Management Committee Meeting on 30 October 1974 (DD/A 74-4350):

"2.B. Scope of Audits (MCA-95/B). The Secretary initiated a brief discussion of the Director's intent to initiate program audits and the GSA's requirement for same. Following an exchange on competence of the Audit Staff to substantively involve itself in various programs that are likely to be subjected to a program audit, it was decided that the Audit Staff will augment its regular financially-oriented personnel with individuals selected for their specific knowledge and background from a roster composed largely of CIA retirees. The Director's memorandum to the C/Audit Staff (MCA-95/B) will be amended in this regard, and the Secretary will forward it to the Director with explanation."

Administrative - Internal Use Only

Extract from CIA Management Committee Meeting Minutes - 15 July 1974
(DD/M&S 74-2642)

"2.g. MCA-95, Report to GSA on Agency Audit Policy. The Secretary related the Chairman's decision that the Audit Staff will undertake program audits. Together with the IG, the Chairman has drafted a memorandum on the scope of these audits. Iams said he has the resulting memorandum for comment and will provide same to the Chairman."

Extract from minutes of CIA Management Committee meeting on 17 June 1974:

TAT "2.C. Report to GSA on Agency Audit Policy (MCA-95) and A Proposal for Acceptance of "Program" Audit in the Central Intelligence Agency (MCA-95/A). [] reviewed the history of requirements for reporting to GAO (and now GSA) on Agency auditing. He recommended that the Committee endorse the "Program" Audit approach within the Agency emphasizing the Audit Staff's intent to work very closely with management in performing such audits. Considerable opposition to the "Program" Audit approach was registered by Messrs. Nelson, Brownman, Walsh, and Iams who felt that present Agency Management processes provided the tools necessary for evaluating program effectiveness. The Secretary will determine from the Director whether he considers that the existing combination of management processes provides for sufficient independent evaluation. In doing so he will note the strong consensus within the Committee against "Program" Auditing. Any report to GSA on Agency Audit Policy will be dependent on this determination."

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DD/MS 11-00
Executive
74-3

6 JUN 1974

MEMORANDUM FOR: Management Committee

THROUGH : Office of Inspector General

SUBJECT : A Proposal for Acceptance of "Program"
Audit in the Central Intelligence Agency

1. For many years the General Accounting Office has been expanding the scope of its audit of U.S. Government activities to provide more meaningful information to managers and to Congress. The most recent expansion in this area has been the adoption of techniques of audit which have been defined in accounting circles by varying descriptions--"Performance"--"Operational"--"Management"--"Broad Scope"--"Program" auditing.

2. In June 1972 the Comptroller General issued his "Standards for Audit of Governmental Organizations, Program, Activities and Functions" in which he defines the three elements of a "Program" audit as:

- a. Financial and compliance--determines (a) whether financial operations are properly conducted, (b) whether the financial reports of an audited entity are presented fairly, and (c) whether the entity has complied with applicable laws and regulations.
- b. Economy and efficiency--determines whether the entity is managing or utilizing its resources (personnel, property, space, and so forth) in an economical and efficient manner and the causes of any inefficiencies or uneconomical practices, including inadequacies in management information systems, administrative procedures, or organizational structure.

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- c. Program results--determines whether the desired results or benefits are being achieved, whether the objectives established by the legislature or other authorizing body are being met, and whether the agency has considered alternatives which might yield desired results at a lower cost.

This audit concept was incorporated as Federal audit policy on 27 September 1973 by the General Services Administration's issuance of Federal Management Circular 73-2 -- "Audit of Federal Operations and Programs by Executive Branch Agencies."

3. Until 1962 responsibility for final audit in the Central Intelligence Agency was shared by the General Accounting Office and the Audit Staff. After considerable controversy over access to our records, the Comptroller General with the consent of Congress decided to withdraw from further activities in CIA. Since 1962 the Audit Staff has had complete responsibility for performing within the Agency the type of final audit which the GAO conducts in all other departments and agencies of the Federal Government.

4. Throughout the years the Audit Staff has attempted to be as thorough, independent and objective as GAO auditors would be. However, the Audit Staff has been involved for the most part in annual financial and compliance type audits (Paragraph 2a.). In the light of the expanding scope of GAO audit we must keep pace with their activities in order to appropriately support the Director's "Certification" of the use of Agency funds. In the recent report of their survey of Audit Staff activities, Touche Ross and Company, Certified Public Accountants, emphasized the need for the "Program" audit approach with a de-emphasis on financial/compliance audits. This survey was requested by the Deputy Director/Management and Services.

5. There has been much controversy regarding what "Program" auditing will entail. In many areas of the Federal Government, and certainly in some areas of the CIA, standards for measurement of efficiency, economy and program results do not exist. This creates a tremendous challenge, not only to government auditors generally but to CIA in particular for innovative approaches to the development and use of quantitative and qualitative criteria

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in the measurement of the productive use of the resources which we have at our disposal. The criteria must allow for the expression of value judgements by management with regard to the efficiency of operations and the effectiveness of particular programs as well as compliance with legal and financial restrictions. In our opinion, the Agency's full commitment to "Management by Objectives" was a major step toward a concerted effort by all Agency personnel to establish a means for accomplishing the greatest production with the most economical and efficient use of resources and to more definitively measure our accomplishments.

6. At no time have we harbored the thought that program auditing can be accomplished by the Audit Staff alone. We must call on whatever expertise exists in the Agency in order to accomplish the task. The manager of a particular component should be most interested in working with the auditors and experts in whatever discipline is involved in making his component the most efficient in the Agency. We would visualize an audit tailored to the requirements of management with an approach agreed upon after a thorough review of each situation by representatives of the Audit Staff and the particular managers involved. We might then need to "deputize" an operations officer, an engineer, a statistician, an economist or an analyst from some other component of the Agency as a member of the audit team. In all instances we would give full consideration to the work already done by the Evaluation Staff of the DDO, surveys performed by the Inspection Staff, the Office of the Comptroller or the Office of Personnel, and any other accumulated knowledge with regard to the operation of the component being audited.

7. In their report of survey, Touche Ross and Company stated that Agency Auditors are generally well-qualified, well-trained and professionally competent. We should make the best use of each auditor's talents. As professionals, our auditors are aware that they do not make management decisions; they only attempt to focus management's attention on areas in which the manager may want to make changes after careful review of an audit suggestion. An important and necessary ingredient contributed by auditors is an "objectivity" which is the product of their "independence."

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8. Most government agencies have already reported that they are taking steps to comply with the Comptroller General's and the GSA's requirement for a more meaningful audit product. The Deputy Comptroller for Audit for the Department of Defense, for example, reported program audits in FY 1973 of DOD Imagery Intelligence Operations, NSA Personnel Management, and Management of Cryptologic Communications. These audits identified potential cost savings of several million dollars. In July 1973 the DCI's response to the Office of Management and Budget on a draft of the proposed Federal Management Circular 73-2 expressed agreement with the broader audit concepts contained therein and indicated the Agency had made and was continuing to make changes in our audit approach in order to conform to these concepts. We believe the acceptance and implementation of "Program" auditing in the Agency is a requirement if we are in fact going to fulfill the concepts expressed in FMC 73-2.

9. In view of our limited audit resources, the Audit Staff has scheduled only one "program" audit in each directorate in FY 75. However, Audit Staff auditors are encouraged to expand scheduled financial/compliance type audits where potential cost savings or management improvements can be identified.

10. Based on the foregoing, we respectfully request that the Management Committee endorse the "Program" Audit approach within the Central Intelligence Agency.



Chief, Audit Staff

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Distribution:

Orig & 11 - Management Committee
1 - O/IG

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74-82514

20 MAY 1974

MEMORANDUM FOR: Management Committee

THROUGH : Inspector General
Office of General Counsel

SUBJECT : Report to General Services Administration
on Agency Audit Policy

REFERENCE : (a) Federal Management Circular 73-2:
Audit of Federal Operations and
Programs by Executive Branch Agencies
dated 27 September 1973

(b) Letter from General Walters to the
Administrator, General Services
Administration, dated 26 March 1974

1. Attached is an unclassified report which responds to the requirement under paragraph 8 of reference (a) for periodic reports to the General Services Administration on the action taken by the Agency to implement referent audit policies. The report is intended to implement Agency policy of compliance with external reporting requirements set forth in reference (b).

2. The report includes Agency action taken on the six elements of audit policy for which the General Services Administration requested a specific reply. This report is due 30 June 1974 and reports are required at six months intervals until the circular is fully implemented.

3. I recommend the Management Committee approve the report and have it signed by an appropriate Agency official and forwarded to the General Services Administration.

[Redacted Signature]

Chief, Audit Staff

STAT

CONCUR:

AT

[Redacted Signature]

Donald Chamberlain, Inspector General

31 May 1974

Date

AT

[Redacted Signature]

John S. Warner, General Counsel

4 June 1974

Date

Attachments

Distribution:

- ✓ Orig. & 11 - Management Committee
- 1 - O/IG
- 1 - O/GC
- 1 - OC

*While I have no objection to this response, it does seem to me that it is not as fully responsive to Federal Management Circular 73-2 as it could be without revealing classified information. JSWarner

General Services Administration (AM)
Washington, D.C. 20405

Gentlemen:

This letter is in response to the reporting requirement under paragraph 8 of Federal Management Circular 73-2 "Audit of Federal Operations and Programs by Executive Branch Agencies."

General

Our Agency has a regulation in process which incorporates the audit concepts expressed in your circular. In addition, each of our Audit Staff members has read Circular 73-2 and the Comptroller General's publication "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" and the contents of these two publications have been studied and discussed in numerous staff sessions. We have also developed an audit plan for fiscal year 1975 based on a system of audit priorities. This plan provides for several of the broad scope type audits suggested by FMC 73-2.

Cross-servicing Arrangements

Our Agency has a moderate contracting program and we have our own Contract Audit Division. Wherever possible we rely upon and/or coordinate our efforts with the cognizant audit agency at each contractor's plant. This reliance and coordination applies primarily to overhead determinations made by the cognizant auditors. After review of these determinations for appropriate application to our classified work at a particular contractor's plant, we are usually able to accept without adjustment the findings of the cognizant audit agency.

Reliance on Non-Federal Audits

The Agency does not administer programs in partnership with organizations outside the Federal Government. However, we have had occasion to use the services of Certified or Chartered Public Accounting firms.

Coordination of Audit Work

The Chief, Audit Staff, is an active member of the Federal Audit Executive Council and he, as well as other members of the Audit Staff, is a member of the Federal Government Accountants Association. Through these associations we maintain continuous liaison with other audit executives and exchange information on audit techniques. We are also taking full advantage of the management auditing courses being given by the Interagency Audit Training Center as well as similar courses sponsored by other accounting organizations.

GENERAL SERVICES ADMINISTRATION
OFFICE OF FEDERAL MANAGEMENT POLICY

FEDERAL MANAGEMENT CIRCULAR

FMC 73-2: Audit of Federal Operations and Programs
by Executive Branch Agencies

September 27, 1973

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

1. Purpose. This circular sets forth policies to be followed in the audit of Federal operations and programs by executive departments and establishments.
2. Supersession. This circular supersedes Office of Management and Budget Circular No. A-73, dated August 4, 1965.
3. Policy intent. The primary objectives of this circular are to promote improved audit practices, to achieve more efficient use of manpower, to improve coordination of audit efforts, and to emphasize the need for early audits of new or substantially changed programs.
4. Applicability and scope. The provisions of this circular are applicable to all executive departments and establishments. The terms "agency" and "Federal agency" throughout this circular are synonymous with the term "departments and establishments" as defined in FMC 73-1.
5. Definitions.
 - a. The term "audit" as used in this circular means a systematic review or appraisal to determine and report on whether:
 - (1) Financial operations are properly conducted;
 - (2) Financial reports are presented fairly;
 - (3) Applicable laws and regulations have been complied with;

(4) Resources are managed and used in an economical and efficient manner; and

(5) Desired results and objectives are being achieved in an effective manner.

The above elements of an audit are most commonly referred to as financial/compliance (items 1, 2, and 3), economy/efficiency (item 4), and program results (item 5). Collectively, they represent the full scope of an audit and provide the greatest benefit to all potential users of Government audits. In developing audit plans, however, the audit scope should be tailored to each specific program according to the circumstances relating to the program, the management needs to be met, and the capacity of the audit facilities.

b. The term "audit standards" refers to those standards set forth in the Standards for Audit of Governmental Organizations, Programs, Activities & Functions issued by the Comptroller General of the United States.

6. Policies and procedures. Agencies are responsible for providing adequate audit coverage of their programs as a constructive aid in determining whether funds have been applied efficiently, economically, effectively, and in a manner that is consistent with related laws, program objectives, and underlying agreements. The audit standards will be the basic criteria on which audit coverage and operations are based. Agencies administering Federal grant, contract, and loan programs will encourage the appropriate application of these standards by non-Federal audit staffs involved in the audit of organizations administering Federal programs. Each agency will implement the policies set forth in this circular by issuing policies, plans, and procedures for the guidance of its auditors.

a. Organization and staffing. Audit services in Government are an integral part of the management process. Audit services and reports must be responsive to management needs. However, it is important in order to obtain the maximum benefit from this function that agency audit organizations have a sufficient degree of independence in carrying out their responsibilities. To provide an appropriate degree of independence, the audit organization should ordinarily be located outside the program management structure, report

to an agency management level sufficiently high to ensure proper consideration of and action on audit results, and be given reasonable latitude in selecting and carrying out assignments. Adequate and qualified staff should be assigned this important function. The audit of all programs under a single Federal department or agency must be coordinated, and where economies and a more effective audit service will result, especially in large and geographically dispersed programs, the audit operations within a department should be consolidated. It is also important to establish close coordination between audit and such other management review activities as may exist in an agency.

b. Determination of audit priorities. Each agency will establish procedures requiring periodic review of its individual programs and operations to determine the coverage, frequency, and priority of audit required for each. The review will include consideration of the following factors:

(1) Newness, changed conditions, or sensitivity of the organization, program, activity, or function;

(2) Its dollar magnitude and duration;

(3) Extent of Federal participation either in terms of resources or regulatory authority;

(4) Management needs to be met, as developed in consultation with the responsible program officials;

(5) Prior audit experience, including the adequacy of the financial management system and controls;

(6) Timeliness, reliability, and coverage of audit reports prepared by others, such as State and local governments and independent public accountants;

(7) Results of other evaluations; e.g., inspections, program reviews, etc.;

(8) Mandatory requirements of legislation or other congressional recommendations; and

(9) Availability of audit resources.

c. Cross-servicing arrangements. To conserve manpower, promote efficiency, and minimize the impact of audits on the operations of the organizations subject to audit, each Federal agency will give full consideration to establishing cross-servicing arrangements under which one Federal agency will conduct audits for another--whenever such arrangements are in the best interest of the Federal Government and the organization being audited. This is particularly applicable in the Federal grant-in-aid and contract programs where two or more Federal agencies are frequently responsible for programs in the same organization or in offices located within the same geographical area. Under such circumstances, it will be the primary responsibility of the Federal agency with the predominant financial interest to take the initiative in collaborating with the other appropriate Federal agencies to determine the feasibility of one of the agencies' conducting audits for the others, and to work out mutually agreeable arrangements for carrying out the required audits on the most efficient basis.

d. Reliance on non-Federal audits. In developing audit plans, Federal agencies administering programs in partnership with organizations outside of the Federal Government will consider whether these organizations require periodic audits and whether the organizations have made or arranged for these audits. This consideration is especially necessary for those agencies that administer Federal grant-in-aid programs through State and local governments and which are subject to OMB Circular A-102, Attachment G. Attachment G provides standards for financial management systems of grant-supported activities of State and local governments and requires that such systems provide, at a minimum, for financial/compliance audits at least once every 2 years. Federal agencies will coordinate their audit requirements and approaches with these organizations to the maximum extent possible. The scope of individual Federal audits will give full recognition to the non-Federal audit effort. Reports prepared by non-Federal auditors will be used in lieu of Federal audits if the reports and supporting workpapers are available for review by the Federal agencies, if testing by Federal agencies indicates the audits are performed in accordance with generally accepted auditing standards (including the audit standards issued by the Comptroller General), and if the audits otherwise meet the requirements of the Federal agencies.

e. Audit plans. Based on the considerations set forth in b, c, and d, above, each agency will prepare an audit plan at least annually. At a minimum, such plans will reflect the:

- (1) Audit universe (all programs and operations subject to audit);
- (2) Programs and operations selected for audit, with priorities and specific reasons for selection;
- (3) Audit organization that will conduct the audit;
- (4) Audit cycle or frequency, the locations to be audited, and the reasons therefor;
- (5) Scope of audit coverage to be provided and the reasons therefor; and
- (6) Anticipated benefits to be obtained from the audits.

The plans should be adjusted as necessary to provide for audit coverage of unforeseen priorities.

f. Coordination of audit work. Federal agencies will coordinate and cooperate with each other in developing and carrying out their individual audit plans. Such actions will include continuous liaison; the exchange of audit techniques, objectives, and plans; and the development of audit schedules to minimize the amount of audit effort required. Federal agencies will encourage similar coordination and cooperation among Federal and non-Federal audit staffs where there is a common interest in the programs subject to audit.

g. Reports. Reporting standards are set forth in the Audit Standards for the guidance of Federal agencies. With respect to release of audit reports, each agency will establish policies regarding the release of audit reports outside the agency. Such policies will be in consonance with applicable laws, including the Freedom of Information Act, and, to the maximum extent possible, will provide for the dissemination of such reports in whole or in part to those interested in such information.

h. Agency action on audit reports. Each agency will provide policies for acting on audit recommendations. Timely action on recommendations by responsible management officials is an integral part of the effectiveness of an agency's audit system and has a direct bearing on it. Policies will provide for designating officials responsible for following up on audit recommendations, maintaining a record of the action taken on recommendations and time schedules for responding to and acting on audit recommendations, and submitting periodic reports to agency management on recommendations and action taken.

7. Responsibilities. Federal agencies will review the policies and practices currently followed in the audit of their operations and programs, and will initiate such action as is necessary to comply with the policies set forth in this circular. The head of each Federal agency will designate an official to serve as the agency representative on matters relating to the implementation of this circular. The name of the agency representative should be sent to the General Services Administration (AM), Washington, DC 20405, within 30 days after the receipt of this circular.

8. Reporting requirement. Each Federal agency will submit a report to the General Services Administration (AM), Washington, DC 20405, by December 31, 1973, on the action it has taken to implement the policies set forth in this circular. Specifically, the report will include actions taken on the issuance of policies, plans, and procedures for the guidance of its auditors; determination of audit priorities; new cross-servicing arrangements made; additional reliance on non-Federal audits; development of audit plans; and coordination of audit work between Federal agencies and between Federal and non-Federal audit staffs. Reports will be submitted at 6-month intervals on the additional actions taken until the circular is fully implemented. Copies of agency issuances on the implementation of this circular will be submitted to the Office of Federal Management Policy, General Services Administration, upon request.

26 MAR 1974

The Honorable Arthur F. Sampson
Administrator
General Services Administration
Washington, D.C. 20535

Dear Mr. Sampson:

The transfer of responsibility in several management areas from the Office of Management and Budget to the General Services Administration under E.O. 11717 may pose certain reporting problems for this Agency. I am writing to alert you to these difficulties so that our two agencies might have a common understanding of the circumstances which may make it inappropriate for this Agency to respond to certain GSA requests for sensitive data.

OGC

FOIAE

It is the policy of this Agency to comply with external reporting requirements of other Federal agencies for administrative and management information in all instances where a meaningful response can be prepared which is not in conflict with my statutory authority or responsibility. Consistent with this policy, the CIA will comply insofar as possible with your reporting requirements.

Undoubtedly, many circulars published under GSA's new series of Federal Management Circulars (and Notices) will include reporting requirements of some kind—this is already evident from

Working Copy

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When Filled

9. Inquiries. Further information concerning this circular may be obtained by contacting:

General Services Administration (AMF)
Washington, DC 20405

Telephone: IDS 183-7747
FTS 202-343-7747



ARTHUR F. SAMPSON
Administrator of General Services

these FMC's issued to date. It is frequently difficult for this Agency to separate unclassified management data from information which must be controlled, while at the same time maintaining the proper perspective and utility of the data. In such cases, the submission of a required report would be at best incomplete and at worst misleading. The submission of a classified report would severely limit its usefulness and might preclude its integration with similar data from other agencies. However, where CIA information which must remain classified is considered essential for your purposes, we would be glad to consider arranging for the requested data to be provided orally to your designated representative.

Sincerely,

(Signature)
Vernon A. Walters
Lieutenant General, USA
Acting Director

Distribution:

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